

Neighborhood Assistance Program



FY 2006 Guidelines and Application

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NOTICE

The Tax Credit Accountability Act of 2004 (Senate Bill 1099, Sections 135.800 through 135.830, RSMo) makes several changes to the tax credit programs, specifically:

- Processing tax credit applications;
- Annual reporting requirements; and,
- Penalty provisions.

Changes in Processing of Tax Credits (Section 135.815, RSMo)

Prior to the Missouri Department of Economic Development (DED) authorization of a tax credit, the DED will contact the Departments of Revenue and Insurance and verify that the applicant does not owe any delinquent income, sales, use, or insurance taxes, or interest or penalties on such taxes. If a delinquency exists, the amount of tax credits issued will be reduced by the amount of the delinquency. After satisfying all delinquencies, the remaining tax credits shall be issued.

Reporting Requirements (Section 135.805, RSMo)

Certain tax credit recipients are required to annually report information pertaining to the project that received the tax credits to the DED. The statute requires that a full year pass after the issuance of the tax credits before the SB1099 reporting requirements must be met. The earliest date that reporting may be required is **June 30, 2006**.

The Community Development Category of tax credits, which includes the Neighborhood Assistance Tax Credit program, requires recipients to annually report for three (3) years following the date of issuance of the tax credits to the DED the following information:

- The title and location of the corresponding project;
- Estimated or actual time period for completion of the project; and,
- All geographic areas impacted by the project.

Penalty Provisions (Section 135.810, RSMo)

Failure to meet the annual reporting requirements or fraud in the application process if determined by a court, such person or entity shall be subject to penalties.

If the annual report is ninety (90) days past due, the DED shall send notice by registered mail to the last known address of the person or entity who is required to complete the annual report. The notice shall inform the person or entity of the past-due report and the pending penalties and their respective deadlines.

If the annual report is six (6) months past due, the DED shall notify the Department of Revenue that the taxpayer is subject to penalties because of failure to report.

Such penalties include the following:

- Failure to report for six (6) months but less than one year shall equal a penalty of two percent (2%) of the value of the tax credits issued for each month of the delinquency.
 - EXAMPLE: Recipient receives \$10,000 in tax credits. Annual report is due June 30, 2006, however, the recipient does not submit the report until March 30, 2007. The recipient is nine (9) months delinquent and the penalty would equal 2% multiplied by \$10,000 for nine (9) months or \$1800.
- Failure to report for more than one (1) year shall equal a penalty of ten percent (10%) of the value of the tax credits issued for each month of the delinquency, not to exceed one hundred percent (100%) of the tax credit value.
 - EXAMPLE: Recipient receives \$10,000 in tax credits. Annual report is due June 30, 2006, however, the recipient does not submit the report until March 30, 2008. The recipient is twenty-one (21) months delinquent and the penalty would equal 10% multiplied by \$10,000 for twenty-one (21) months or \$21,000, however, the statute limits the penalty to the amount of the tax credits, therefore, the penalty would be \$10,000.

The taxpayer shall be liable for any penalties as of December 31 of any tax year and the liability shall be due as of the filing date of the taxpayer's next income tax return.

If the taxpayer is not required to file an income tax return, the taxpayer's liability for penalties shall be due as of April 15th of each year.

The Director of the Department of Revenue shall offset any tax credits claimed on a filed tax return against an outstanding penalty before applying such tax credits to the tax year against which they were originally claimed.

Any nonpayment of liability for penalties shall be subject to the same provisions of law as a liability for unpaid income taxes, including but not limited to, interest and penalty provisions.

Penalties shall remain the obligation of the person or entity obligated to complete the annual report without regard to any transfer of the tax credits.

Closed Records (Sections 610.255 and 620.014, RSMo)
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Prior to August 28, 2004 and pursuant to Section 620.014, DED had the authority to close certain records except for the name of the tax credit recipient and the amount of the tax credit. SB 1099 removes this broad exception but DED retains the authority to close records or documents that "relate to financial investments in a business, or sales projections or other business plan information which may endanger the competitiveness of a business" or as also allowed by law.

NEIGHBORHOOD ASSISTANCE PROGRAM

Introduction

This application booklet is designed to provide you with the information needed to understand the Neighborhood Assistance Program (NAP), to determine if your organization is eligible to apply and to assist you in filling out the application. NAP is looking for well thought out and organized proposals; proposals that can specify in detail what the expected accomplishments will be (outcomes), the number of Missourians targeted in the achievement of those outcomes (performance targets) and how those accomplishments will be verified.

The questions in the application are designed to encourage you to thoroughly think through the project you are proposing and to communicate your ideas and plans in a logical and coherent manner. The terms “performance targets” and “milestones” are used to encourage you to answer the questions with focus on real accomplishments and real outcomes. You will need to provide complete and concise answers to the questions and give a comprehensive representation of your proposed project.

There is no application fee to submit a proposal for the Neighborhood Assistance Program. Your FY2006 NAP application will be accepted anytime after March 15, 2005 and no later than March 1, 2006 pending availability of tax credits. Applications will be reviewed on a first received first reviewed basis. Please read all materials carefully to ensure that your application is complete and accurate.

General Overview

Administered by the Missouri Department of Economic Development, the Neighborhood Assistance Program was created to assist endangered communities and their residents in the improvement of their quality of life. A qualifying nonprofit organization or business can be granted assistance to administer a community or neighborhood project if the community or neighborhood itself does not have the ability or resources to deal with the factors challenging its existence as viable and stable.

This program enables donors to redirect their Missouri tax dollars to local projects while reducing the administrative and overhead costs of state administration of the same program.

This form of assistance requires no transfer of tax dollars. The nonprofit organization assumes full responsibility for securing the desired financial support through their own fundraising efforts. The State's role is to approve projects and process tax credits for eligible businesses that contribute to a NAP project. The tax credit equals 50% of the value of most contributions, but may total 70% for some projects in rural communities. Donors may claim the tax credits when they file their Missouri tax return. As an incentive, the tax credit not only maximizes the amount a donor might give, but also provides an opportunity for businesses, state government and the nonprofit sector to build and sustain communities by establishing solid public-private partnerships.

Eligible Applicants

To participate in the Neighborhood Assistance Program, applicants must be one of the following:

★ **Nonprofit Corporation under the provisions of Chapter 355, RSMo**

Note: If an organization is incorporated on a statewide, regional or national level, or established through Congressional Charter, its local affiliates, chapters, divisions, or branches are each permitted to submit an application provided:

- a) *A locally controlled Board of Directors is empowered and assumes all administrative and financial responsibility for the local not-for-profit chapter, division or branch. Only organizations with locally based and controlled boards of directors will be allowed to apply. Local boards that serve in only an advisory capacity to the parent organization are not qualified to apply. DED retains the right to make a final determination of what constitutes a locally controlled board of directors with appropriate powers and responsibilities.*

And

- b) *All NAP donations will be deposited locally and the use of NAP donations is controlled solely by the locally controlled board of directors for the organization.*

And

- c) *The parent organization has no authority over the use of NAP donations except to the extent that the parent organization defines the general organizational purpose(s) of the locally controlled organization.*

★ **Organization holding a 501(c)(3) ruling from the Internal Revenue Service of the United States Department of Treasury**

★ **Missouri business assuming full administrative and financial responsibility for the project. Proposals may not be submitted jointly by more than one company.**

Ineligible Applicants

- ☒ Churches, denominational headquarters and organizations under the direct supervision or control of a church (e.g. authority to appoint 51% of the Board).

Faith-based organizations may qualify for NAP provided all of the following conditions are met:

- 1) The project addresses a specific identified need in the community that qualifies under one of the eligible NAP project categories.
- 2) One church or one person does not have the authority to appoint more than half the Board of Directors.
- 3) Services are rendered to clients without discrimination.
- 4) Clients are not required to participate in worship services or activities.
- 5) The applicant meets all other NAP eligibility requirements.

- 6) The organization is incorporated separately under the provisions of Chapter 355 RSMo or holds a 501(c)(3) ruling from the Internal Revenue Service.

- ☒ Units of government (political subdivisions, taxing districts), affiliated organizations under their direct supervision or control (e.g. authority to appoint 51% of the Board) and organizations created to benefit public institutions.
- ☒ Partisan organizations
- ☒ Public or tuition-based private elementary, secondary or post-secondary educational institutions or organizations established to provide direct or indirect support for such institutions and their programs.
- ☒ Organizations with more than 50% of their board members in common.
- ☒ Hospitals or organizations providing major medical treatment or care or an organization established to provide direct or indirect support for those institutions.
- ☒ Organizations submitting more than one NAP project proposal.
- ☒ Previously approved organizations that will have overlapping fundraising periods. Applicants are permitted to administer only one NAP project at a time.

Eligible Project Categories

Community Services

Any project that enables Missourians to improve their quality of life.

Crime Prevention

Any project that promotes, teaches or contributes to the security and safety of Missourians.

Education

Any project that provides scholastic instruction for Missourians preparing themselves for better opportunities (school districts, tuition-based schools, colleges and universities are not eligible to apply).

Job Training

Any project that provides skill development and other services enabling Missourians to become employable or seek a higher grade of employment.

Physical Revitalization

Any project that aids in the physical improvement or rehabilitation of any part or all of a Missouri community.

NAP Priorities Areas

- Priority will be given to projects that are constructing or renovating facilities.
- Priority will be given to projects that are creating or retaining jobs by utilizing the tax credits.
- Priority will be given to projects that impact the NAP outcomes.

NAP Program Outcomes

While there are many types of projects that generally qualify for the Neighborhood Assistance Program, the Department of Economic Development actively seeks proposals that will address specified NAP program outcomes. Measurement of performance targets in the achievement of these outcomes and their impact on the targeted neighborhood, community and region of the state, will be an integral part of the review of the application and scoring process.

While priority will be given to applications that address the following program outcomes, applications addressing other outcomes will also be considered:

- ★ Increase the number of Missourians age 55 and older that are able to live independently.
- ★ Decrease the number of crimes against persons or property.
- ★ Increase the number of Missourians that obtain a high school diploma.
- ★ Increase the number of Missourians that obtain a GED certificate.
- ★ Increase the number of Missouri children who enter school ready to learn.
- ★ Increase the number of Missourians who learn life skills and/or earn certificates for completing training in vocational or educational courses.
- ★ Increase the number of Missourians who are placed in jobs.
- ★ Increase the number of individuals or families that have safe and affordable housing.

Ineligible Project Activities

- ☒ Fixed and/or permanent improvements owned or maintained by any private or government entity (streets, sewers, curbs, guttering, lights, flowers, planters, benches, trees, banners, trash receptacles, kiosks and excavation required for landscaping).

- ☒ Research projects or facilities and public awareness campaigns
- ☒ Feasibility studies
- ☒ Public (government) programs, projects, offices or facilities and/or projects that provide direct benefit to taxing districts and/or their agents
- ☒ Monuments and memorials
- ☒ Scientific research and development of medical technology
- ☒ Long-term residential care (i.e.: costs associated with room and board), nursing home and group home facilities
- ☒ Direct grants to private business
- ☒ Endowment funds
- ☒ Fundraising promotions, events or the salaries of outsourced professional fundraising staff
- ☒ Debt retirement
- ☒ Scholarships

Defining Your Project

NAP projects are classified as either service delivery projects or capital campaign projects. Organizations applying to NAP must choose between these two classifications. All applications must include budgets for expenses allowed under the chosen classification. **Note: service delivery expenses cannot be combined with capital campaign expenses.** The following information will help guide you in defining what type of project you will administer through the NAP.

Service Delivery

Service delivery expenses are defined as expenses that support the day-to-day operation of the applicant agency or address the general living conditions of a specific neighborhood or community. For projects providing service delivery, costs associated with real estate acquisition, construction and renovation are not allowable. General occupancy costs and minor repairs, however, are allowable (e.g. rent, utilities, insurance, painting, carpeting, weatherization, etc.).

Capital Campaign

Capital campaign expenses are defined as those expenses that include the acquisition, renovation and improvement of property, as well as new construction and equipment of

facilities that will serve as the applicant's office. Housing and physical and commercial revitalization of a given area are also included in this category. Priority will be given to projects whose predominant use of facility space is for program operations and service delivery. If the project involves the acquisition of property, building renovation, expansion or new construction, evidence of site control is required with the exception of housing projects (see Attachment D of the application).

Property Use and Disposition

The following property use and disposition requirements only pertain to NAP capital campaign projects with the exception of housing and downtown or Mainstreet revitalization projects.

1. The cost of constructing, acquiring and/or renovating property may be offset by eligible NAP contributions when:
 - a) The nonprofit organization can demonstrate sufficient site control (see Attachment D of the application).
 - b) At least half of the building space will be fully used by the nonprofit organization to carry out the NAP project and its own nonprofit programs as agreed upon with DED.
2. Building space not used for the NAP project may be leased provided that:
 - a) Building space is leased to for-profit organizations or government agencies at or above market rate.
 - b) Building space is leased to nonprofit organizations at or below market rate.

Environmental Assessment

Environmental assessments are required for non-residential properties acquired or improved by the nonprofit organization (**note: approved projects will be required to submit a copy of the environmental assessment to NAP within 10 working days from the closing date on any properties**). Buildings previously occupied and owned by the applicant are exempt from this requirement if the purpose of the NAP support is only to renovate the building.

At a minimum, a Phase I Environmental Site Assessment is required on all real estate contributed for NAP tax credit or purchased using NAP contributions. A Phase I Environmental Site Assessment is a property history and a noninvasive physical assessment of the real property conducted in accordance with American Society for Testing and Materials (ASTM) Standard E.1527. (More information about the standard may be obtained by accessing this website: www.astm.org)

- All hazardous substances must be removed or abated in accordance with local, state and federal regulations prior to acquiring or accepting contributed property.

NAP tax credits cannot be used for contributions made to cover the costs of the removal or abatement of hazardous materials.

- The professionals completing the assessment must be qualified in the detection of hazardous substances in the following categories as applicable to the property:
 - Lead-Based Paint
 - Asbestos-Containing Materials
 - Petroleum Products
 - Other Hazardous Substances

The assessment report must include the credentials of the professional conducting the assessment and be submitted to the NAP applicant and NAP Staff for review before any real estate is acquired. To find professionals that may be qualified to do a Phase I Environmental Site Assessment, look in your local or regional telephone directory under environmental consultants or services.

Tax Credit Payback

Property

If during the next five years, your organization disposes of land, buildings, vehicles or equipment that was purchased or donated with assistance from the NAP, a percentage of tax credits approved for the project must be repaid to the State (see schedule below). You may avoid a tax credit payback by selling the land, buildings, vehicles or equipment for a lump sum payment of at least 90% of the current fair market value. The proceeds of the sale must be applied toward replacement land, buildings, vehicles or equipment for your organization or other project activities approved by the Department.

If NAP tax credits have been approved for leasehold improvements and the lease is terminated (for whatever reason); if the property reverts to the owner within five years, a percentage of the tax credits approved for the building project (including any furnishings or equipment that remain with the building) is also subject to the same repayment formula and must be repaid to the State.

Repayment may be in the form of cash paid directly to the State or the voluntary relinquishment of tax credits by donors. The amount of tax credit settlement will be:

During Year	Percent of NAP Tax Credit to be Repaid to the State
1	100%
2	80%
3	60%
4	40%
5	20%

Contractual Obligation and Noncompliance

If approved for NAP tax credits, your organization will be required to submit to NAP the following items to maintain good standing and be eligible to apply for future projects:

- Quarterly reports detailing where the project is compared to where it was expected to be.
- Requested changes in budget, performance targets, activities, etc.
- Final report within 6 months of the end of the project period
- Final audit within 6 months of the end of the project period if awarded \$25,000 in tax credits or more.

If your organization fails to complete the approved project as stipulated in the NAP contract, or is found to be noncompliant with NAP policies and regulations, your organization may be required to pay back to the State a monetary sum equal to the number of tax credits that have been issued for the project.

Donations to the NAP Project

The NAP tax credit is a fundraising tool that helps nonprofit organizations attract donations to obtain the funds necessary to carry a project through to its completion. Following is a list of the types of donors and donations that are eligible under the NAP as well as any restrictions placed on donations.

Eligible Contributors

Business Eligibility	Tax Liability Type	Schedule Filed
Corporations	Corporate, Franchise Tax	Missouri Form 1120
Farm Operation	Individual Income Tax	Federal Form 1040, Schedule F, Missouri Form 1040
Financial Institution*	Financial Institution Tax	Missouri Financial Tax Return
Individual partner in a Partnership or individual shareholder in an S-Corp	Individual Income Tax	
Individual reporting income from rental property or royalties	Individual Income Tax	Federal Form 1040, Schedule E, Missouri Form 1040
Insurance Company	Gross Premium Receipts Tax	Missouri Insurance Tax Return with the MO Dept. of Insurance
Limited Liability Corporation or Partnership	Individual Members Income Tax, Franchise Tax, Fiduciary Tax	Missouri Form 1120, 1120S or 1065
Partnership	Individual Partners' Income Tax	Missouri Form 1065
Sole Proprietorship	Individual Income Tax	Federal Form 1040, Schedule C and Missouri Form 1040
Small Business Corporation (S-Corp)	Individual Shareholders' Income Tax, Franchise Tax	Missouri Form 1120S

* Includes Banks, Credit Institutions, Savings and Loan Associations, Credit Unions, Farmer's Cooperative Credit Associations, or Building and Loan Associations

The amount of the tax credit claimed shall not exceed the amount of the taxpayer's liability in the tax year that the tax credit is claimed. Any portion of the tax credit not claimed by the taxpayer in the tax year the contribution was made may be carried over the next five succeeding tax periods. The total tax credits approved for a contributor shall not exceed \$250,000 per tax year.

Qualifying Donations

- Cash – valued at face amount of check
- Materials, supplies, equipment – valued at the lesser of either the fair market value or donor's cost
- Professional services – valued at standard billing rate.
- Labor – valued at employee's hourly wage plus fringes
- Real Estate – valued at the lesser of two independent appraisals
- Publicly-Traded Stocks and Bonds – Publicly-traded stocks are valued at stock market price on the date of transfer but must be sold by the nonprofit organization within one year from the date of contribution before tax credit will be approved for the donor. Bonds are valued at face value and must be matured at the time of donation. Bonds must be sold by the nonprofit organization within one year from the date of contribution before tax credits will be issued to the donor.

Features and Restrictions of the NAP Tax Credit

- ✓ The NAP tax credit may be claimed against a variety of state tax liabilities and must be claimed in the following order:
 - 1) Gross Premium Receipts Tax
 - 2) Financial Institution Tax
 - 3) Corporate Franchise Tax
 - 4) Corporate and Individual Income Tax
 - 5) Gross Receipts Tax
- ✓ Not refundable or transferable
- ✓ Five-year carry-forward provision. Donor has six tax periods in which to claim the tax credit. Any balance remaining after the sixth year is forfeited.
- ✓ Projects located in a city, town or village with populations under 15,000 or in unincorporated areas (with the exception of Clay, Jackson, St. Charles and St. Louis counties) are eligible to apply for tax credits at a 70% level. These tax credits are subject to an annual limit. If a project rates high enough to be approved, but all 70% tax credits have been exhausted, the project will be offered 50% tax credits.

RESTRICTIONS ON NAP DONATIONS

1. All NAP donations must be used exclusively for the NAP project. NAP funds may not be used for other expenses for the organization.
2. Membership fees paid to nonprofit organizations by businesses are not considered eligible NAP donations.

3. Donations only qualify for NAP tax credit if they are donated directly to the approved NONPROFIT ORGANIZATION (e.g. donations to the City do not qualify).
4. For job training projects, if a contributing business directly benefits from work performed by trainees, NAP tax credit is only allowed on the amount by which the donation exceeds the benefit derived (i.e. donation must exceed the amount of wages that would otherwise have been paid to the trainees).
5. A maximum of \$250,000 in NAP tax credits may be approved annually for a single donor. This represents the combined amount of tax credits approved for donations made by that donor to all NAP projects in the state of Missouri.

Non-Cash Donation Restrictions

6. Non-cash donations, with the exception of donations of grain, publicly-traded stocks and bonds, qualify only if the donated goods or services are specifically noted as line items in the approved NAP budget. Services are valued at the standard billing rate for nonprofit clients. Items are valued at the lesser of either the current fair market value or cost to the donor, and may include reasonable overhead costs incurred by the donor in making the contribution, such as transportation or shipping. In no case shall the value of the NAP donation include sales tax and/or profit margin. No donation will be certified for NAP tax credits unless the project budget submitted with the NONPROFIT ORGANIZATION'S application (or as agreed to and amended by NAP) has specifically provided for the type of donation proposed.
7. Used clothing does not qualify for tax credit. Only new items donated by clothing manufacturers, distributors, or retailers are eligible. The value of such items should be the lesser of cost or the fair market value at the time of contribution.
8. Only food bank organizations (i.e. organizations whose purpose it is to redistribute food to other organizations and pantries) are permitted to offer NAP tax credit on donated food items. Value of donated items is based on a valuation formula approved by DED.
9. Individuals doing business qualify to receive tax credit for the donation of goods, services, or materials ONLY if they pay tax on the income they receive from the sale of those same goods, services, or materials (file schedule C, E or F for income derived).
10. When a portion of the value of a non-cash item is donated, NAP tax credit will be based upon the difference between the cost to the NONPROFIT ORGANIZATION and the value of the donation if wholly donated.
11. Donations of real or personal property for the purpose of resale do NOT qualify for NAP tax credits.
12. Tax credit for the donation of professional services is only allowed for services directly pertaining to the project.

13. Service and maintenance contracts, donated office space, and donated professional services for periods beyond the approved NAP fundraising period do not qualify for tax credit. Tax credit for donated contracts will only be approved after the contract is fulfilled.
14. In-kind donations of accounting and audit services are restricted to the review of the NAP fund and NAP record keeping. No other donations of in-kind accounting or audit services will be allowed.

Real Estate Donation Restrictions

15. For the donation of buildings and other real estate:
 - Title must be held free and clear by the donor.
 - Tax credit is based on the lesser of two independent appraisals conducted by state-certified or state-licensed appraisers. Appraisals must be performed no more than 18 months prior to date of donation. Only one appraisal is required when the property is either
 - Commercial property with appraised value of less than \$50,000 or
 - Undeveloped or residential property with appraised value of less than \$25,000.
 - A Phase I Environmental Site Assessment is required on all real estate contributed for NAP tax credit or purchased using NAP contributions, with the exception of existing residential structures. Cost of the inspection and study (including lab-testing fees) may be donated for NAP tax credit. (See "Property Use and Disposition, Environmental Assessment" for more details.)
 - Cost of appraisals may also be donated for NAP tax credit. Contact the Missouri Real Estate Appraisers Commission in Jefferson City at 573-751-0038 to verify that an appraiser has met the qualifications to be state-certified or licensed.
16. Donations of partial ownership interest in real estate do not qualify for NAP tax credit (i.e. full title must be given to the NONPROFIT ORGANIZATION in order for the donation to qualify for tax credit), nor will NAP contributions (i.e. cash) be used to acquire partial interest in real estate.
17. If only a portion of donated land is to be used for activities covered under this Agreement, the NAP tax credit will be pro-rated to reflect only the land actually used for the NAP project.
18. The razing or demolition of a structure is not an allowable project activity. In addition, any donations of professional services associated with the razing or demolition of a structure do not qualify for tax credit.

Fund Raising Restrictions

19. Donations applied toward fundraising activities do not qualify for NAP tax credit, including:
 - 1) Donated goods or services to be given away or auctioned
 - 2) Donated goods or services needed to carry out a fundraising event
 - 3) Outsourced professional fundraisers
 - 4) Donated cash applied toward any of these expenses

20. When a donation results from the purchase of a ticket from a nonprofit organization (e.g. for an event), the donation is determined by subtracting the value of whatever is given to the donor in exchange for the ticket purchase from the cost paid by the donor (according to Internal Revenue Service guidelines). The monies donated must be applied to the approved project.
21. Costs associated with the production of printed or audio-visual materials qualify when those materials focus on services provided by the NONPROFIT ORGANIZATION rather than promotion of a specific fundraising activity or event. A fundraising appeal may be included in the material.

Submitting Your Proposal

Before submitting your proposal, be sure to keep a copy of the application and attachments for your own records. You should double-check your proposal to make sure all required items are enclosed (a checklist has been provided for this purpose). There is no application fee.

Proposals may be submitted at any time after March 15, 2005 for FY2006. We will take applications until we run out of credits or no later than March 1, 2006. Send your application to our Jefferson City office at the following address:

Missouri Department of Economic Development
Community Development Division
Neighborhood Assistance Program
Truman State Office Building
301 West High, Room 770
P.O. Box 118
Jefferson City, MO 65102

Receipt of all applications will be acknowledged in writing via e-mail. For those organizations that do not have access to the Internet, you may call (573) 751-4539 for verification of receipt.

Proposal Rating

As the administering agency for the Neighborhood Assistance Program, the Department of Economic Development has the fiduciary responsibility of awarding tax credits for projects that result primarily in public benefit rather than private gain or financially benefit an organization that would not otherwise be eligible to apply for NAP on its own behalf. The following guidelines have been developed with this in mind.

Rating the Project

1. Initial Screening

Applications will be reviewed on a first received first reviewed basis. An initial screening will be conducted to determine if your organization meets the basic eligibility requirements and that the application is complete. Active participating organizations should be aware that prior tax credit utilization and performance will be a factor in the review of new proposals. Organizations with a low tax credit utilization rate (less than 50% of tax credits have been used) may be denied or

offered an extension when applicable. *All organizations must be in good standing with the Secretary of State when applying to NAP. To find out if your organization is in good standing, call (573) 751-4936 or visit the Secretary of State Business Entity Database at <https://www.sos.mo.gov/BusinessEntity/soskb/csearch.asp>.*

2. Review of Application

Once your project has met all basic eligibility requirements, a review of your written responses will be conducted. Your proposal will be reviewed for the following: targeted customers, clear and concise project outcomes, clear and concise performance targets, milestones that are clearly identified and proceed in a logical sequence, key individuals and partners involved with the project and financial capacity to complete the project.

Bonus points will be given to proposals at the end of the review that can verify that the project directly impacts NAP program outcomes or priorities (5 bonus points)

Recommendations and Notifications

Every effort will be made to notify organizations within four to six weeks of receipt of the application. Awards will be made on a quarterly basis. Agreements (contracts) will be sent to those organizations selected for approval. Those organizations that are not approved for the program will receive notification in writing.

Mandatory administrative training workshops for approved organizations will be scheduled soon after announcements are made. These workshops will provide information on the contractual obligations of approved NAP organizations as well as the reporting requirements for the program.

Need Help With Your Proposal?

As a partner in community development, the Neighborhood Assistance Program is committed to assisting nonprofit organizations and businesses with the application process. Contact the NAP staff for technical assistance at any time.

- ☞ If you call and reach our voice mail telephone answering system, please leave a detailed message (i.e. name, organization, nature of your question, telephone number). This allows staff to respond more quickly and efficiently.
- ☞ Individual consultation may be arranged on a first-come, first-served basis. Due to the demand for assistance and the heavy schedule kept by our staff, you are strongly encouraged to schedule an appointment. We regret that we are not always able to accommodate unscheduled walk-in visitors.
- ☞ In an effort to promote equity among our applicants, please be advised that staff will not review draft applications. We will, however, continue to work with applicants seeking to better understand the application and the application process.

- ☞ Application workshops will be conducted periodically throughout the year. For your convenience, you may attend any of the sessions. You must RSVP by using the workshop registration form. The application workshops will be posted on the NAP website at <http://www.missouridevelopment.org/cd/nap> and will reflect any changes that may occur regarding time and location due to inclement weather or other unforeseen circumstances. As always, the sessions are free and open to the public.

You must read the NAP Guidelines and Application before attending the workshop. Come prepared with a list of questions and bring this application booklet with you.

Guidelines for Application and Examples

- * Your application must be typewritten.
- * Do not use type smaller than 10 point.
- * State the number and question at the top of each page before answering.
- * Complete responses to questions 1-15 must total no more than 15 pages in length.
- * Use only the attached forms provided in the application.
- * Double check your proposal to make sure you have included all required items.
- * Submit one copy of your entire application (including attachments). **The application must contain original signatures.** Please keep all pages in proper order.
- * Fax copies of applications will not be accepted.
- * Keep a copy of the entire application, including all attachments, for your records.

Please read the questions thoroughly and answer them as concisely and completely as possible. Keep in mind that the focus should be on outcomes and that all pieces of the application must tie together (proposed activities → outcomes → targets → verification → milestones). Use the definitions and examples provided on the next few pages to assist you in answering questions in the application.

DEFINITIONS

1. **Project Period** – The timeframe in which all activities (i.e. fundraising, service delivery, expenditures, and/or construction related to the proposed project) will be completed (excluding the required final report and audit).
2. **Project Outcomes (for Service Delivery only)** – Outcomes are the broad, general goals an organization sets for itself that results in direct benefits to the customers that are involved in a program. Outcomes may relate to a change in the knowledge, skills, attitudes, behaviors, condition, etc. of participants. Outcomes must clearly relate to the services. If you are able to impact any NAP Program Outcomes, you will also need to identify them in question 5 of the application (see pages 5 and 6 of the guidelines booklet). *Capital campaigns should base their outcomes on the services that will occur as a result of the capital campaign (the reason that the capital campaign is taking place).*
3. **Performance Targets (for Service Delivery only)** – Targets are the numerical (not percentage) performance levels that indicate how many targeted customers will achieve the specified outcomes. There should be a minimum of one performance target that relates to each outcome, and they should reflect how the targeted

customer would benefit from the project. Include why those target numbers were chosen, rather than higher or lower targets.

4. **Project Verification (for Service Delivery only)** – Verification includes any information tool that tracks and evaluates success of achieving performance targets and outcomes. Include how often the evaluation will take place and who is responsible for collecting the data. Each performance target must have an evaluation tool.

Example: Senior Center providing nutritional meals, exercise programs, and health services.

Outcome	Performance Target	Verification
Increase the number of Missourians age 55 and older that are able to live independently.	1. 150 additional and 75 current seniors will live independently as a result of access to nutritional meals and recreational programs.	1. Program records collected by the Program Administrator
Increase the number of Missourians that practice healthy behavior.	1. 100 seniors will participate in weekly exercise classes. 2. 60 of 100 seniors will reach and maintain health-related goals set individually (i.e. ideal weight, low blood pressure)	1. Program records collected by the Program Administrator.
Increase the number of Missourians who have access to basic health care.	1. 75 seniors will receive free semi-annual check-ups provided by the county health department (a partner organization).	1. Program records collected by the Program Administrator.

5. **Project Milestones** – Milestones are the essential steps that define what participants must do to enable agencies to successfully reach the targets. Milestones are based on the participants' efforts/activities and must be verifiable. First, list each step that must occur in order for the project to achieve the targets listed. Second, go back and determine the level of participation required or other important variables that may affect the achievement of the performance targets. Include a timeline explaining when each milestone will begin and end. In addition, define the steps that the organization must take in order to complete the fundraising for the project, as well as the construction, if applicable. *Capital campaigns should include milestones relating to acquisition of property, construction or renovation, as well as date of occupancy and when services will begin in the new facility.*

Milestones: Example (Senior Center)

Construction Milestones	Timeline
Acquire Property	By Jul. 31, 2005
Site Preparation Completed	By Aug. 31, 2005
Foundation Completed	By Sept. 30, 2005
Framing Completed	By Nov. 30, 2005
Construction Completed	By March 31, 2006
Occupancy Date	By Apr. 30, 2006

Programming Milestones	Number Needed	Timeline
Learn of Programs	400	prior to Jun. 1, 2006
Seniors sign up to receive nutritional meals	225	by Aug. 1, 2006
Seniors receive healthy meals.	225	Daily Sep. 2006-Jul. 2007
Seniors sign up for exercise classes.	100	By September 1, 2006
Seniors participate in exercise classes	100	Weekly Sep. 2006 – Jul. 2007
Seniors report their progress toward obtaining and/or maintaining health-related goals.	60	Monthly Oct.1, 2006 – Jul. 1, 2007
Seniors participate in semi-annual check-ups.	75	25 in Jun. 2006 25 in Dec 2006 25 in Jun. 2007

Projects are reminded to treat outcomes, performance targets, milestones and verification as inter-related elements of a single process. Each outcome must have its own performance targets and verification mechanisms.

- Outcomes reflect what you want to accomplish.
- Performance targets allow you to measure the extent to which the outcomes are accomplished.
- Milestones establish the timeframe and steps taken to accomplish the performance target(s) and ultimately the outcome(s).

Scoring of the NAP proposal will address the connection of identified outcomes, performance targets and milestones.

6. **Energy** – The ability to infuse life into yourself, colleagues and the target population. Energy is what a program needs to get started, but more importantly, what it takes to keep going. Do the key individuals demonstrate the ability to generate enthusiasm for the project among the target population, staff and community? Can the individuals engage the target population and keep them engaged in the project?
7. **Capacity** – The level of skill and knowledge that each of the key individuals have in their positions, not necessarily the length of time they have been with the project.
8. **Commitment** –Do the key individuals have a personal stake in the success of the program? Do they have a commitment to stay with the project until it is completed or for a specified amount of time?

NAP Budget--This is a proposed budget for organizations seeking support through the Neighborhood Assistance Program. The budget includes the various expenses to be charged against the project described in this application for which you are asking NAP support. All items in the budget must be clearly tied to the activities and outcomes of this proposal. If your project receives a tax credit award, this will become your approved NAP budget. NAP staff may adjust the proposed budget during the application review process. Organizations will be notified of any changes that occur. The budget form must be typewritten. Please round all figures to the nearest dollar.

NAP BUDGET LINE ITEM/CATEGORY AND COST BREAKDOWN:

Enter all items that will be donated to your organization for NAP tax credits or purchased with NAP cash donations. These costs should be categorized according to the budget line items provided. Be sure to itemize all costs included in your proposed NAP budget total. If NAP leveraged funds will only support a portion of the total project budget, please indicate the total amount of funding that will be secured from other sources for the project.

- **Salaries/Fringe** – include full and part-time staff members who will be assigned to this project. Amounts should be pro-rated to reflect the approximate percentage of time devoted to the project.
- **Contracts** – include paid services required for the NAP project that are not compatible with the hiring of a full or part-time staff person. These services can include accounting, legal, auditing, architectural, engineering and other services approved by NAP that are needed to implement the project. ***If your project budget includes an audit, only the cost of the NAP project audit may be included for tax credit. An audit is required if an organization uses \$25,000 or more in tax credits.*** Out-sourced fundraising services may not be counted as eligible NAP project costs.
- **Travel** – includes local and/or out of town travel costs. This category may include expenses required to participate in professional training and workshops related to the implementation of the NAP project.
- **Equipment** – includes the purchase, lease or rental of equipment, furnishings, appliances and other related items that will be used in the proposed NAP project. Please use reasonable and current market value in your area to determine cost.
- **Supplies** – include all expendable supplies to be used during the project period. Items such as paper, paper clips, pens, toner cartridges, etc. should be calculated at a reasonable use cost per year. Please use a separate figure for any unusually large supply needs that relate to the nature of the NAP project.
- **Building Space** – includes rent or lease of all facilities used by your organization during the NAP project period. These costs should be comparable to the prevailing fair market value for rent in the community or geographic area in which you are located.
- **Construction** – includes new construction, expansion and/or renovation of your building. All construction cost figures should be reasonable and based on prevailing costs in your community or geographic area. Please provide cost per square foot and a brief description of the facility.
- **Property Acquisition** – includes land and/or structures that will be acquired to complete your NAP project. These costs should be based on current appraisals at the time your application is submitted.
- **Other Costs** – includes utilities, phones, building and vehicle maintenance, insurance, postage or any other item that does not fit in the provided categories.

The following examples are not all-inclusive for each project type but are provided to show the detail required on the proposed budget form.

Service Delivery Project Example:

BUDGET LINE ITEM AND COST BREAKDOWN	NAP BUDGET	AMOUNT FROM OTHER SOURCE
1. Salaries - \$60,000 Project Director (30,000 x 50% of time) \$15,000 Administrative Assistant (20,000 x 25% of time) \$5,000 Have federal grant for other portion of salaries (see answer to question 23)	\$20,000	\$40,000
2. Equipment - \$16,500 Computers (2 @ \$3,000) \$6,000 Fax Machine (1 @ \$250) \$250 File Cabinet (1 @ \$250) \$250 (Have funding for other equipment cost, see answer to question 23)	\$6,500	\$10,000
3. Contracts - \$12,000 Legal \$ 500 Audit \$1,500 (Have funding for organization audit, see answer to question 23)	\$ 2,000	\$10,000

Capital Campaign Project Example:

NAP BUDGET LINE ITEM AND COST BREAKDOWN	NAP BUDGET	AMOUNT FROM OTHER SOURCES
1. Property Acquisition - \$60,000 City donating other cost of land (see answer to question 23)	\$35,000	\$25,000
2. Site Work - \$22,500 Excavation (\$15/cu yd @ 500 yd) \$7,500 Asphalt paving \$10,000 Other costs being covered by private donation not qualifying for tax credit (see answer to question 23)	\$17,500	\$5,000
3. Floor Coverings - \$25,000 Vinyl Comp Tile \$5,000 Base and Carpet \$10,000 Other costs being covered by private donations not qualifying for tax credit (see answer to question 23)	\$15,000	\$10,000
4. Project Administrator Salary - \$2,000 (oversight of tax credits, organize and contract with workers for the renovation)	\$2,000	\$0

TOTAL TAX CREDITS:

If your project is located in a city, town or village with a population under 15,000 (with the exception of projects located in Clay, Jackson, St. Charles and St. Louis counties), compute 70% of the total on line 10. If your project is located in a city, town or village with a population of more than 15,000, compute 50% of the total on line 10.

NOTE: Tax credits at the 70% level are not guaranteed for all projects located in areas with populations of 15,000 or less. These tax credits are limited and subject to availability during the year of approval. Approved projects that qualify at the 70% level will be offered tax credits at the 50% level when 70% level tax credits have been depleted.

APPLICATION ATTACHMENTS

All attachments must accompany the application at the time of submission. Applications received that are missing one or more attachments at the time of submission will be automatically disqualified.

Attachment A – Current Members of the Board, Council, or Commission

Provide the name, day phone, board position, occupation, whether or not the individual is a resident of the project area, and current board term of each person comprising your Executive Board of Directors. Make additional copies of this form as necessary. NAP staff will call one or more of your executive board members to discuss their role on the Board, as well as their general level of support for and knowledge of the content of the application.

Attachment B – Letters of Support

Provide letters of support from individuals, agencies, organizations or institutions whose cooperation is required to carry out the project. Letters from your targeted customers, state elected officials and community leaders may also be submitted. General letters of support for your organization are accepted. However, letters indicating specific support for the proposed NAP project will strengthen your proposal. You must submit at least three letters of support along with this attachment written after November 1, 2004. Copies of the support letters are acceptable.

Attachment C – Local Government Certification

NAP statute requires that each applicant submit a local government certification stating that the project does not interfere with existing city plans or ordinances. This is not an endorsement by the local government authority. You must use the form provided.

Attachment D – Site Control Document

If your proposal involves any construction, facilities acquisition, improvement, or expansion, you are required to give written evidence that your organization has sufficient control over the site where the proposed acquisition, construction or renovation will take place. Review and complete this attachment and submit with the appropriate documentation.

Certification

This form certifies that your organization does not employ illegal aliens (undocumented workers) and that the information contained in the application is true, correct and complete. The form may be signed by the Executive Director of the organization, or by any other person duly authorized to represent the applicant organization, and notarized. All applicants must complete this form to be eligible for the program.